

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-26-E - ORDER NO. 2019-126
FEBRUARY 21, 2019

IN RE: Petition of Duke Energy Progress, LLC for)	ORDER GRANTING
an Accounting Order to Defer Incremental)	PETITION FOR AN
Storm Damage Expenses from Hurricane)	ACCOUNTING ORDER
Florence and Hurricane Michael, and to)	AND TO CONTINUE
Continue Previously Authorized Storm)	PREVIOUSLY
Deferrals)	AUTHORIZED STORM
)	DEFERRALS

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of Duke Energy Progress, LLC (“DEP” or “the Company”), pursuant to S.C. Code Ann. § 58-27-1540 and S.C. Code Ann. Regs. 103-825, to issue an accounting order for regulatory and financial accounting purposes to defer significant expenses incurred in connection with Hurricanes Florence and Michael, and to continue prior deferrals of storm-related expenses previously granted by the Commission to the Company in Docket Nos. 2014-482-E and 2016-408-E. These expenses were incurred by DEP in the restoration of service to its customers following significant storm events in its South Carolina service territory over the last five years.

The Company’s total incremental costs charged to operation and maintenance expense to repair and restore its system in South Carolina following Hurricane Florence and Hurricane Michael are expected to total approximately \$70 million and \$2 million, respectively. In addition, the Company made capital investments of approximately \$13 million for Hurricane Florence and \$1 million for Hurricane Michael in the restoration

efforts. Invoices for these expenses will continue to be received, validated, and paid over the next several months. The total incremental cost above is the Company's best estimate and will be trued-up with final amounts expected to be known by mid-2019.

Just days before making landfall, Hurricane Florence approached the Carolinas' coast as a Category 4 hurricane. In response, DEP mobilized staff and crews totaling approximately 20,000 people to stage throughout the Carolinas to deploy as soon it was safe to begin restoration efforts. After making landfall on September 14, 2018, the hurricane stalled and crawled across South Carolina and North Carolina for three days, producing record rainfall and gusty winds, and leaving flooding and devastation in its wake.

According to the Company, the hurricane caused damage to DEP's electric system in South Carolina and North Carolina on an unprecedented scale, and well beyond the damage caused by the Company's worst prior storm, Hurricane Matthew, in 2016. The total number of DEP customers impacted during the storm was 1,448,419 (119,785 in South Carolina and 1,328,634 in North Carolina). The peak number of customer outages for DEP in the Carolinas was approximately 529,000, including approximately 73,000 in the South Carolina Pee Dee area, which occurred Saturday morning, September 15, 2018. More than 86 percent of customers were restored within 72 hours. By Sunday night, September 23, 2018, full restoration was accomplished for all customers able to receive service.

DEP reports that it experienced extraordinary damage to both the transmission and distribution systems. Specifically, the DEP transmission system had 136 substations and

45 lines out of service. DEP had almost 216 miles of downed wire, approximately 5,450 downed poles, and 1,860 damaged transformers across the Carolinas' system. The Company arranged for additional off-system linemen and support men and women from Alabama, Arkansas, the District of Columbia, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Jersey, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Wisconsin, and Canada to assist with the restoration efforts. DEP housed thousands of these utility workers at staging areas in the forward operating zones. In addition to line crews, vegetation management professionals, damage assessors and support personnel worked around the clock in call centers and operations centers to answer customer outage calls, assess damage and dispatch crews. Other support personnel handled logistics, such as meals, housing and refueling for the crews, all of which were complicated by the massive flooding and road closures caused by the storm. The Company also provided pre-storm preparation and post-impact restoration updates to customers through traditional venues and social media as well as text messages and emails.

Hurricane Michael came ashore in the Florida Panhandle on October 10, 2018, as a Category 4 hurricane, and reached the Carolinas as a tropical storm on October 11. This fast-moving storm brought heavy winds and rain to the already saturated DEP service territory, resulting in widespread damage and outages. Duke Energy mobilized more than 9,000 personnel from Company, contractor, and off-system mutual assistance crews to restore the grid. The total number of DEP customers impacted during Hurricane Michael was 483,675 (47,459 in South Carolina and 436,216 in North Carolina). The peak number

of customer outages for DEP in the Carolinas was approximately 170,222, which occurred Thursday, October 11, 2018, at 8 PM. Approximately 95 percent of DEP's customers were restored within 72 hours. As of Tuesday, October 16, 2018, full restoration was accomplished for all customers able to receive service.

DEP reports that it has incurred significant storm restoration costs in its South Carolina service territory over the last five years, and the Commission previously granted deferrals for costs related to the 2014 Ice Event and Winter Storm Pax in Order No. 2015-62 issued in Docket No. 2014-482-E, and related to Hurricane Matthew in Order No. 2017-52 in Docket No. 2016-408-E. The Company states that the deferred balances as of the end of September 30, 2018, for these currently approved South Carolina retail deferrals are as follows: 2014 Ice Event & Winter Storm Pax, \$14.7 million; and Hurricane Matthew, \$66 million.

The Company has requested and received deferral for two 2014 storms (Docket 2014-482-E) and for Hurricane Matthew (2016-408-E). In DEP's current rate case in Docket No. 2018-318-E, the Company proposes not to begin amortization of these deferred balances, but to instead continue to defer the return after the rates effective date in that case. The deferred balance for the 2014 storms was included in rate base in the Company's prior rate case in Docket No. 2016-227- E. In Docket No. 2018-318-E, the Company included a pro forma adjustment that removes this balance from rate base. Consequently, the Company requested to begin deferring a return on the deferred balance, at the overall weighted average cost of capital approved in this case, for the 2014 storms beginning with new rates effective in that case.

The Company is exploring alternative options for recovery of these deferred balances. If the Company is unable to secure a suitable, alternative recovery mechanism that results in customer savings, the Company proposes, at that point, to seek recovery through more traditional mechanisms in a future rate case for the deferred costs described in its Petition.

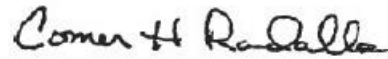
The Commission has an established practice of authorizing accounting deferrals for incremental storm costs, and the deferrals requested in this Petition are similar to those previously authorized by the Commission. *See* Order No. 2004-367(A), Docket No. 2004-55-E (Oct. 8, 2004); Order No. 2015-62, Docket No. 2014-482-E (Jan. 21, 2015); Order No. 2017-52, Docket No. 2016-408-E (Jan. 24, 2017). Further, authorizing the deferrals requested in this case will permit the Company to explore alternative options for recovery of these deferred balances that could result in customer savings. The South Carolina Office of Regulatory Staff has been served with a copy of the Petition and has no objection to the Company's requests, and no opposition to the Petition has been filed in the Docket.

The Commission has fully reviewed DEP's request for relief and found it to be consistent with the public interest. Granting the requested relief will not preclude the Commission or any party from addressing the reasonableness of these deferred costs in the Company's next general rate proceeding or any other relevant Commission proceeding, nor does the requested relief involve a change to any of DEP's retail rates or prices at this time. Accordingly, neither notice to the public at-large nor a hearing is required regarding this Petition. Therefore, by this Order, the Commission: (1) authorizes DEP to defer in a regulatory asset account the incremental operation and maintenance expenses and the

depreciation expense and carrying costs at its weighted average cost of capital on the incremental capital cost, as well as the carrying costs on the deferred costs, incurred in connection with Hurricanes Florence and Michael; and (2) grants an extension of the deferrals associated with the 2014 Ice Event, Winter Storm Pax, and Hurricane Matthew as previously ordered.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. "Randy" Randall, Chairman

ATTEST:



Jocelyn Boyd, Chief Clerk/Administrator